



Second Quarter 2026

Research Spotlight on What's Next

Quarterly Macro Themes

GUGGENHEIM
INVESTMENTS



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About Quarterly Macro Themes

Quarterly Macro Themes, a quarterly publication from our Macroeconomic Research and Market Strategy Group, spotlights critical and timely areas of research and updates our baseline views on the economy. Themes are selected from the broad range of issues we are currently analyzing, and demonstrate the type of market and economic topics we address in developing our outlook on the U.S. and global business cycle, market forecasts, and policy views. Our Macroeconomic Research and Market Strategy Group’s research is a key input in Cuggenheim’s investment process, which typically results in asset allocations that differ from broadly followed benchmarks.

Stable Backdrop for Assets Despite Risks to U.S. Economic Resilience

The U.S. economy is reaching the halfway point of 2026 with its resilience intact. We see real gross domestic product (GDP) growth holding around 2 percent, underpinned by robust artificial intelligence (AI) capital expenditures and near-term fiscal tailwinds. Consumer spending faces some headwinds from cooling incomes and still elevated gasoline prices, but the labor market has improved and wealth effects continue to support upper income cohorts. Inflation has been hot, though we expect cooler readings later in the year will allow the Fed to remain on hold as the passthrough of tariffs and energy prices to consumer prices fades.

Against this constructive baseline, we see notable risks. First, the FOMC has indicated a willingness to hike rates should inflationary pressure fail to abate later this year, which is a risk if accelerating AI-driven demand drives further price increases or the recently announced agreement to open the Strait of Hormuz falters. Second, while the economy has shown remarkable resilience in recent years, any disruption to the AI investment thesis could present a downside risk, in particular to consumer spending which has been supported by accumulated wealth.

Although the range of potential outcomes is relatively wide, in our baseline outlook, the backdrop for U.S. fixed income is stable. Absent a shock to growth or inflation expectations, we expect 10-year Treasury yields to continue trading in a range, offering a combination of attractive income and diversification. Strong earnings growth is supporting corporate fundamentals, which helps contain spread widening from rising AI-related issuance. Still, with spreads generally tight, we are looking to less crowded sectors and relying on rigorous credit selection to guard against downside risk.

Macro Themes

THEME 1

The AI Investment Boom: A Growth Engine with Inflationary Side Effects

The AI investment cycle accelerated sharply in the first half of 2026, as remarkably rapid model advancement amplified focus on AI's potential to transform the economy. Against this backdrop, concerns about disruption have upended some industries. At the same time, companies are intensifying the pace of investment in data center capacity. Hyperscaler capital expenditures are now projected to exceed \$740 billion in 2026, up \$330 billion from 2025 and \$200 billion above the forecast at the start of the year. This buildout continues to leave a growing footprint on U.S. economic data. First quarter GDP showed AI-related investment contributing 1.5 percentage points to real GDP growth. While some investment is netted out in GDP data from imported goods, it demonstrates importance of the AI buildout for domestic demand, with spillovers to the domestic economy in areas like construction and power as well as consumer wealth effects.

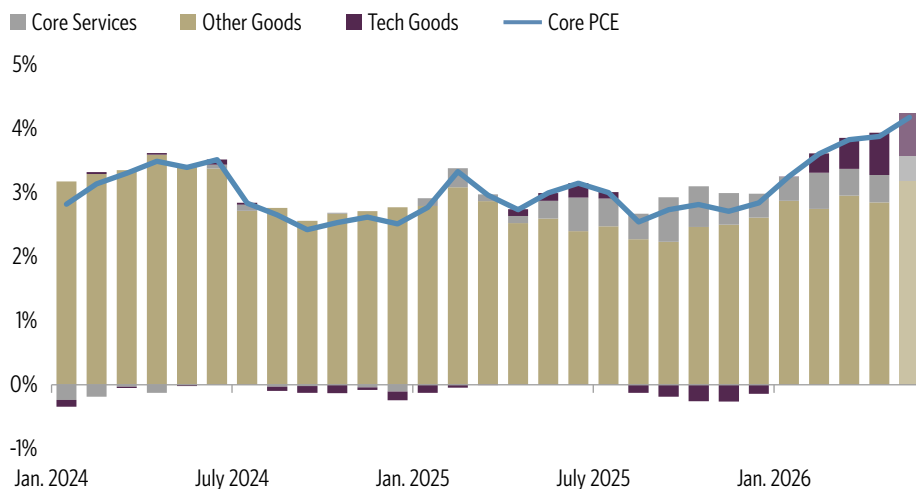
This surging demand for data center components is increasingly running into physical constraints. Memory chip supply remains constrained, with prices surging over the last several months. Power availability is also a growing roadblock, with headwinds from permitting, construction, and equipment availability. These pipeline pressures are already feeding through to producer prices, with technology and power component prices surging in recent months.

Historically, consumer computer and software prices have been a disinflationary force, with technological improvements leading to price declines over time after quality adjustments. But recent official data has sharply broken with that trend: prices for computer investment rose at a 15 percent annualized pace in the first quarter GDP report. The passthrough to consumer price indexes is indirect and lagged, but it is already having a noticeable impact. The software and computer accessories category of personal consumption expenditures (PCE) has contributed around 70 basis points to the six-month annualized core PCE inflation rate through May. Methodology issues related to the weighting, measurement, and quality adjustment of these goods raise questions

The software and computer accessories category of PCE has contributed nearly a percentage point to the three-month annualized core PCE inflation rate through April.

Risks of Sticky Core Inflation Rising if Tech Goods Inflation Does Not Moderate

Contribution to Core PCE, 6-Month Annualized Change



THEME 2

Energy Prices Fall on an Agreement to Get Oil Flowing, but Questions Remain

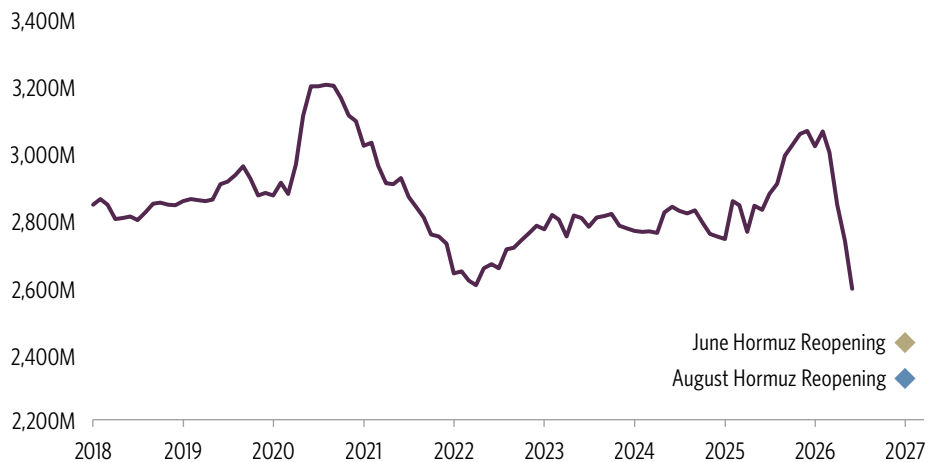
After three months of historically large energy supply disruption, a memorandum-of-understanding (MOU) has been signed to reopen the Strait of Hormuz. Crude oil prices have fallen sharply in recent weeks as the negotiations took shape, and these price declines have the potential to ease the energy-driven inflation observed in recent data. However, the MOU's high level terms leave open the potential for re-escalation of tensions.

The growth impact from the Strait of Hormuz closure to date has been modest and a summer reopening was built into our forecast, leaving little imprint on our growth outlook from the new MOU. Global oil inventories entered the conflict period at elevated levels and have since been sharply depleted, providing a buffer that delayed the full impact of the supply shortfall. Financial markets demonstrated considerable faith in a near-term end to the disruptions, tempering the tightening in financial conditions that has historically magnified oil shocks. Demand destruction has been borne in regions where buyers are quicker to cut back, keeping crude prices from spiking higher.

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Global Landed Inventories Are Declining Sharply

OECD Commercial Crude Oil and Refined Products Inventory (million barrels)



Source: Xxxxx.

Energy prices have retraced on expectations for a reopening of the Strait of Hormuz, but supply chain disruptions will have a longer tail. The transportation sector has borne a disproportionate share of the near-term economic cost associated with the closure of a major shipping route, with longer transit times and higher freight rates. Trucking has been particularly affected, as diesel prices increase. These cost increases are working their way through producer price indexes and, with a lag, into consumer prices.

Even in a case where the agreement to keep the Strait of Hormuz open holds, we expect crude oil prices to stay elevated relative to pre-war levels. Supply will take time to fully recover, global inventories will need to be rebuilt, and a persistent geopolitical risk premium is likely to remain. These elevated prices would continue to impose economic costs, but manageable ones, and the inflationary impact should continue to fade.

Considerable obstacles remain to a permanent agreement, and the buffers that have cushioned the adjustment so far—inventory drawdowns and reduced demand from the most price-sensitive buyers—are nearing exhaustion. Failure to keep the Strait open could create a turning point as inventories reach operational minimums. In this scenario, inflation could stay elevated and growth could come under mounting pressure—from deeper declines in real incomes and potential retightening of financial conditions.

Outlook Update

Steady Growth Outlook And a Stable Labor Market Amid Shifting Growth Drivers

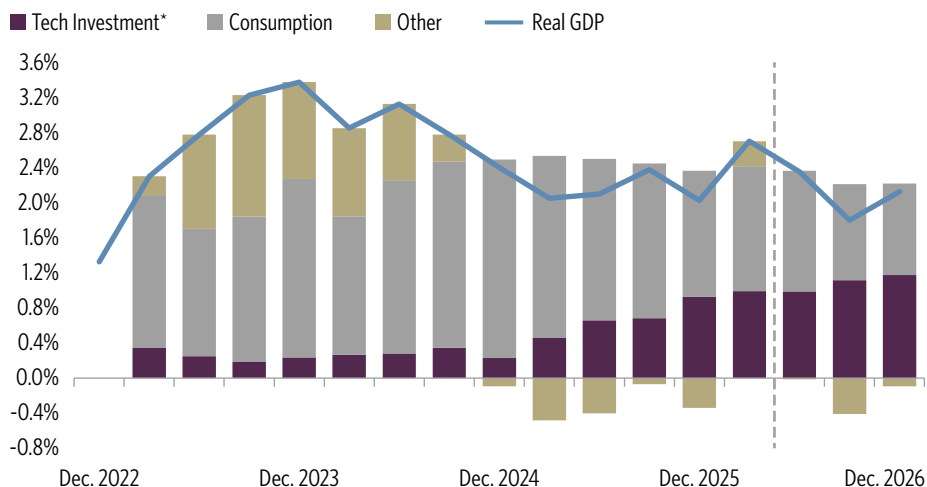
Our baseline forecast calls for real GDP growth around 2.0 percent on a fourth quarter-over-quarter basis in 2026, with similar growth in 2027. The combination of AI capex, fiscal stimulus and supportive financial conditions provide a foundation for continued growth in the aggregate, even as economic bifurcation continues.

The composition of growth tells a more important story than the headline. We anticipate business fixed investment will grow a strong 7–8 percent in 2026, driven by AI-related infrastructure and broader investment supported by provisions in the One Big Beautiful Bill Act. While computer imports temper the direct impact on gross domestic product, spillovers will continue to have positive effects on the economy. At the same time, we expect personal consumption growth to slow to below 2 percent. Real

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Moderating Consumer Spending Offset by AI Investment

Contributions to Real GDP, YoY% Change

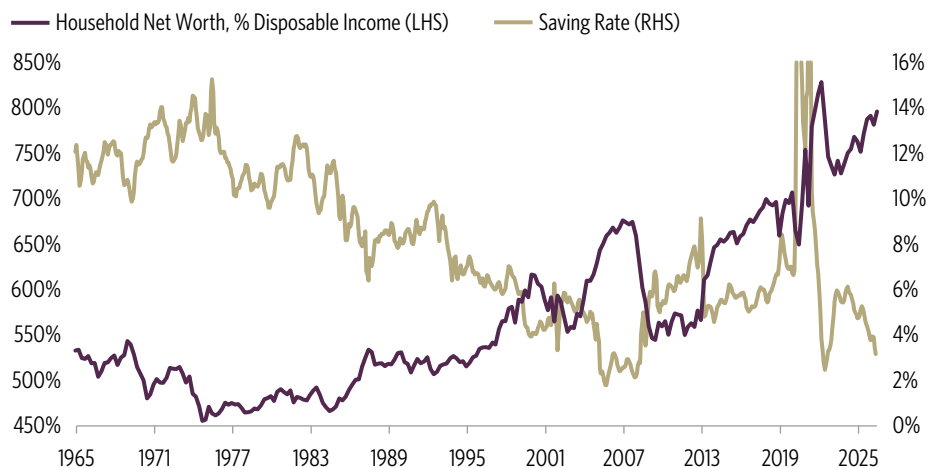


Source: Guggenheim Investments, BEA, Haver. Actual data as of 3.31.2026. *Includes information processing equipment, software, and R&D. Does not include tech net exports.

income growth has weakened, as job and wage growth cools and rising energy prices eat into purchasing power. That should lead to a moderation in spending over time, though tax cuts provide a near-term cushion and household net worth should continue to support spending among wealthy consumers.

Real income growth has weakened, as job and wage growth cools and rising energy prices eat into purchasing power, but household wealth should continue to support spending among higher-income earners.

Consumer Saving is Low, But Elevated Wealth Should Help Support Spending

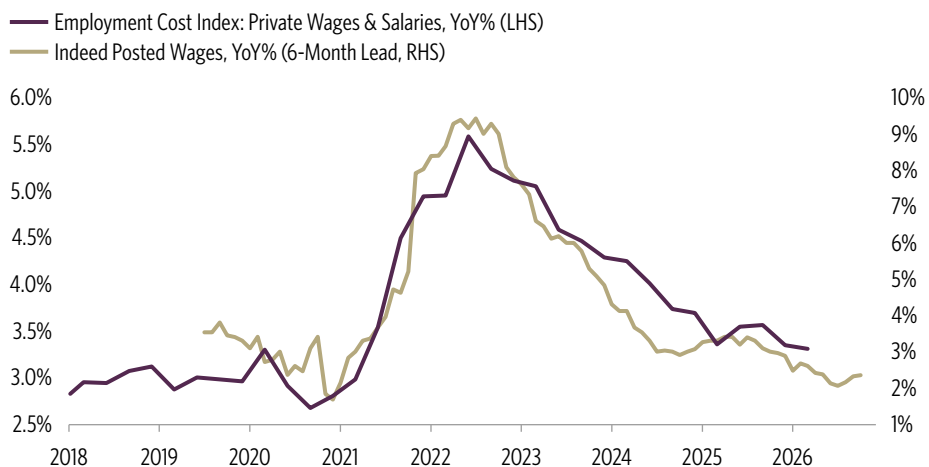


Source: Guggenheim Investments, BEA, Federal Reserve, Haver. Data as of 3.31.2026 for net worth with Guggenheim estimate for Q2 2026, 5.31.2026 for saving. 3-month average of saving rate shown.

After heading into 2026 on uneasy footing, the labor market has stabilized, with payroll growth of 114,000 per month this year through May. Despite recently strong payroll gains, the stable unemployment rate confirms that the balance between labor supply and demand remains roughly balanced. Wage dynamics similarly suggest that the labor market is not currently a source of inflationary pressure. Growth in average hourly earnings has decelerated to a 2.9 percent annualized pace over the last six months. With productivity growth elevated, unit labor costs are rising at only 1.2 percent year over year.

Growth in average hourly earnings has decelerated to a 3.1 percent annualized pace over the last six months. With productivity growth elevated, unit labor costs are rising at only 1.2 percent year over year, meaning that labor is not a source of excess inflationary pressure.

Wage Growth Has Cooled, Leading Indicators Point to Further Moderation



Source: Guggenheim Investments, BLS, Indeed, Haver. Data as of 3.31.2026 for employment cost index, 4.30.2026 for Indeed.

Inflation to Remain Sticky in Coming Months, but Underlying Disinflationary Forces Remain in Place

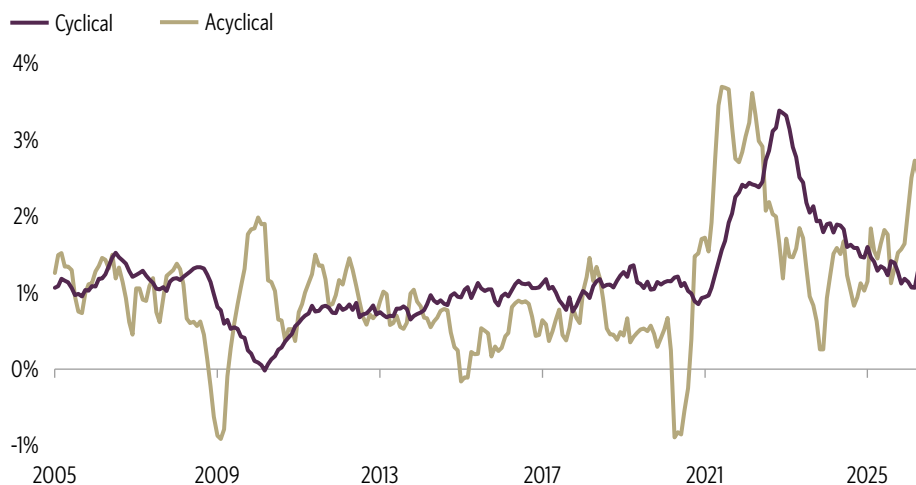
Inflation remains well above the FOMC’s target, creating challenges for the outlook. In the near term, inflation is likely to stay sticky, with headline PCE potentially peaking above 4.0 percent as oil price increases pass through. However, we anticipate a moderation later in the year as the base effects from the energy shock reverse and tariff passthrough continues to fade.

Recent inflation prints have provided evidence that some disinflationary trends remain intact. Tariff effects, which added roughly 80 basis points to core PCE at their peak, appear to have been mostly realized and should be a more neutral factor for sequential inflation readings moving forward.

We expect sequential core PCE to cool below a 2.5 percent annualized pace by the fourth quarter, though greater persistence in AI spillovers to consumer prices represents a growing upside risk that could keep core inflation closer to 3 percent.

Acyclical Inflation Categories Are Driving Recent Strength

Contribution to Core PCE Inflation, 6-Month Annualized



Source: Guggenheim Investments, SF Fed, Haver Analytics. Data as of 5.31.2026. Cyclical components include those categories more sensitive to overall economic conditions.

Housing inflation still has further to fall in the official data as it catches up to the substantial deceleration in market rents, where growth remains weak. Benign labor costs should help keep services inflation in check, particularly as residual seasonality effects that boosted early-year readings reverse in coming months.

However, some underlying inflationary trends bear watching. Oil prices have receded, but their passthrough and the war's broader supply chain disruptions could offset some of the expected inflation slowdown from tariff effects receding. Financial services inflation has been elevated, although much of this component is imputed from stock market appreciation and therefore does not reflect a market price for consumer services. Spillovers from AI capex on technology goods look likely to continue, though we expect at a less rapid pace in coming months. These drivers of inflation are particularly challenging for monetary policy, as many are less cyclically and interest rate sensitive than other categories of spending. While we expect sequential core PCE to cool below a 2.5 percent annualized pace by the fourth quarter, greater persistence in AI spillovers to consumer prices represents a growing upside risk that could keep core inflation closer to 3 percent.

Fed Policy Expected to Be on Extended Hold

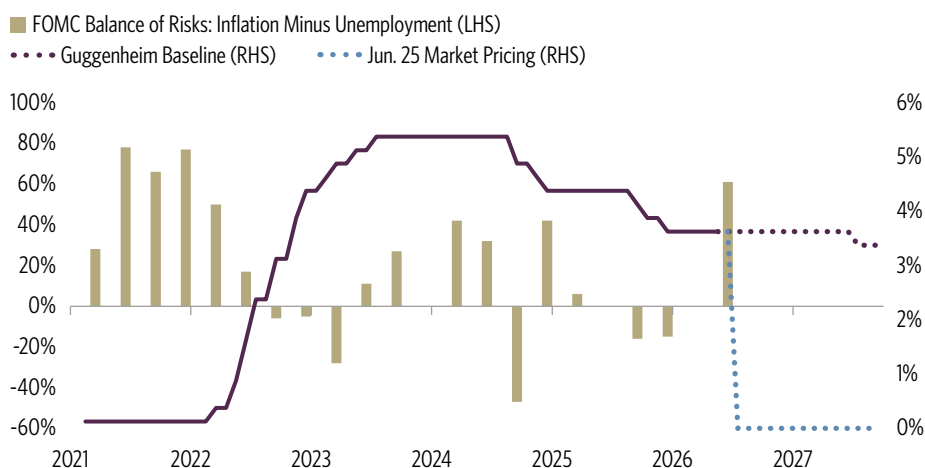
At the June meeting, the FOMC made it clear that the patience that they have demonstrated on inflation is wearing thin. Half of the FOMC participants that submitted economic projections in June anticipated rate hikes this year. Chair Warsh reinforced this message in his first press conference, with a strong emphasis on delivering on the Fed’s price stability mandate.

The hawkish turn from the FOMC reflects concern that the disinflationary process will stall later this year. The 3.3% median core PCE projection for 2026 embeds an expectation of inflation moderating from current elevated levels, roughly consistent with our forecasts. However, the 2027 median forecast of 2.5% reflects expectations for lower, but sticky inflation to persist.

Chair Warsh left a strong imprint on FOMC communications at this first meeting, with a streamlined statement and limited discussion of the outlook in the press conference. Most of his remarks focused on price stability, and he indicated that the FOMC was “unambiguously and unanimously” focused on that goal. He also laid out an agenda for change at the Federal Reserve with five wide-ranging task forces on topics including communications, inflation frameworks, and the balance sheet. These workstreams could have broad implications for policy as early as next year, but the outlook for policy this year will be guided by incoming data.

We expect the near-term implications for policy are little changed, given most of the committee has moved toward greater concern over near-term inflation risks.

We Expect an Extended Fed Hold, But See Risks of Rate Hikes If Inflation Concerns Persist



Source: Guggenheim Investments, Haver, Bloomberg, Federal Reserve. Data as of 6.23.2026.

Our baseline view has the Fed holding policy constant at the currently modestly restrictive level into 2027. Our forecast is predicated on somewhat more convincing disinflation heading into 2027 than the SEP envisions. However, we see elevated risks of rate hikes should inflation remain sticky. If rate hikes ultimately come to pass, we anticipate sequential moves might be needed, but with fewer overall hikes than in most historic cycles, as many of those started with rates at the zero lower bound or well below neutral levels.

Investment Implications

Elevated Treasury Yields Should Remain Rangebound; Fundamentals Support Tight Credit Spreads

Treasury yields have been volatile amid the Iran war fallout, shifting monetary policy expectations, and global fiscal concerns. On balance, yields are higher and the curve flatter. We expect 10-year Treasury yields will continue to trade in a range, albeit a slightly higher one than prior to the Iran conflict. The resilient economy and elevated fiscal deficits should keep a floor under yields, but yields closer to 5 percent pressures rate-sensitive sectors and tightens financial conditions, helping contain the upside. At current levels, yields offer meaningful income relative to recent history. The cushion from elevated carry helps protect total return from a further rise in rates, while bonds also provide important diversification in the event of an economic slowdown.

These elevated yields are also keeping demand for fixed income healthy, even as credit issuance has ramped up amid the AI buildout and a broader re-leveraging cycle. Credit spreads are tight but well supported by strong corporate fundamentals, as evidenced by solid earnings growth. While fears of AI disruption have moderated recently, rigorous security selection has become increasingly vital as the dispersion of outcomes across sectors and issuers widens. We expect continued modest default pressure in sub-investment-grade credit and in particular software and healthcare, where active selection can identify better-positioned companies.

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Investing involves risk, including the possible loss of principal. Stock markets can be volatile. Investments in securities of small and medium capitalization companies may involve greater risk of loss and more abrupt fluctuations in market price than investments in larger companies. In general, the value of a fixed-income security falls when interest rates rise and rises when interest rates fall. Longer term bonds are more sensitive to interest rate changes and subject to greater volatility than those with shorter maturities. During periods of declining rates, the interest rates on floating rate securities generally reset downward and their value is unlikely to rise to the same extent as comparable fixed rate securities. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Investors in asset-backed securities, including mortgage-backed securities and collateralized loan obligations ("CLOs"), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. CLOs bear similar risks to investing in loans directly, such as credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate. There is no guarantee that an active manager's views will produce the desired results or expected returns, which may lead to underperformance. Actively managed investments generally charge higher fees than passive strategies, which could affect performance. In addition, active and frequent trading that can accompany active management, also called "high turnover," may lead to higher brokerage costs and have a negative impact on performance. Further, active and frequent trading may lead to adverse tax consequences.

One **basis point** is equal to 0.01 percent. The **P/S ratio** (price to sales ratio) is a financial metric that compares a company's market value to its total annual sales, indicating how much investors are willing to pay for each dollar of a company's revenue. A lower ratio can suggest a stock is undervalued, while a higher ratio may signal overvaluation. The **EV/sales ratio**, or enterprise value to sales ratio, is a financial metric that compares a company's total value to its total revenue or sales. The ratio indicates how much investors are willing to pay for each dollar of the company's sales, with lower ratios generally suggesting an undervalued company and higher ratios indicating an overvalued one. The **P/B ratio**, or Price-to-Book ratio, is a financial metric that compares a company's market price per share to its book value per share, indicating whether a stock is overvalued or undervalued relative to its assets. A low P/B ratio may suggest undervaluation, while a high P/B ratio can indicate overvaluation. The **EV/EBITDA ratio** (Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortization) is a financial valuation metric that compares a company's total value to its operating earnings to assess if it is overvalued or undervalued. A lower ratio generally suggests a better value, while a higher ratio might indicate the company is expensive relative to its earnings. The **Shiller CAPE** (Cyclically Adjusted Price-to-Earnings (CAPE) Ratio) is a stock market valuation tool developed by economist Robert Shiller. It divides the current stock price by the average of the last 10 years of inflation-adjusted earnings to smooth out economic cycle fluctuations. A high CAPE ratio suggests an overvalued market, while a low ratio indicates undervaluation and potentially better future returns. The **price-to-earnings (P/E) ratio** is the proportion of a company's share price to its earnings per share (EPS). A lower P/E might signal undervaluation, while a higher P/E can suggest strong growth expectations or potential overvaluation. The **forward price-to-earnings (forward P/E) ratio** is a valuation metric that divides a company's current stock price by its estimated future earnings per share (EPS) for the next 12 months. It's a forward-looking indicator that helps investors assess a stock's value based on projected earnings rather than historical data. A lower forward P/E can suggest a stock is undervalued, while a higher ratio may indicate high growth potential but could also signal overvaluation.

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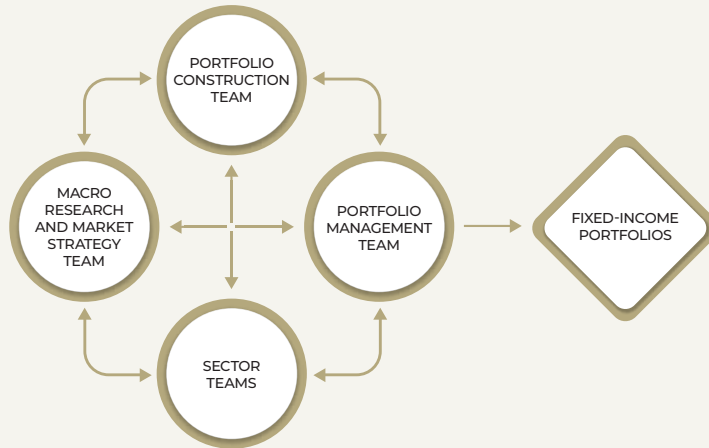
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Guggenheim's Investment Process

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1. Total Assets are as of 3.31.2026 and includes \$246.4B in Assets Under Management (AUM), plus \$115.8B Assets Under Supervision (AUS) for a total of more than \$362B. AUM includes leverage of \$14.6B. AUS includes assets for which GI provides non-advisory services and may include review, analysis, research, reporting, sourcing and evaluation of assets, and business operations consulting. Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Wealth Solutions, LLC, Guggenheim Private Investments, LLC, Guggenheim Investments Loan Advisors, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, and GS GAMMA Advisors, LLC. Numbers may not total due to rounding.

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